ORA
OFFICE OF RATEPAYER ADV

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Proposed Decision & Alternate
Rule 21 – Interconnection Cost Certainty

ORA Position: The CPUC should adopt the Proposed Decision (PD) because it more effectively supports the goals of the proceeding to achieve cost certainty in interconnection by creating accountability for the utilities that have the most control over costs and estimates. In the alternative, if the CPUC adopts the Alternative Proposed Decision (APD), it should modify the APD with ORA's recommendations in order to achieve the proceeding's goals.

Background

Proposed Decision: Allows interconnection cost overruns in excess of 10% above estimates, but states that ratepayers shall not pay interconnection costs.

Alternate Proposed Decision: Proposes a 5-year pilot program.

- Requires developer to pay cost overruns up to 25% above the utility cost estimate.
- Orders the use of Memorandum Accounts to record cost overruns above the 25% cost envelope.

The PD Incentivizes More Accurate Interconnection Cost Estimates

- Recognizes that the control of cost-certainty lies solely with the utilities.
- Encourages cost certainty and accuracy by allocating cost overruns between the utilities and developers.
- Passes on cost overruns indirectly to ratepayers through embedded costs, yet promotes cost certainty to minimize the amount of costs utilities pass through to customers.
- Mitigates ratepayer impact because embedded costs in power purchase agreements would not be placed in rate base.

The APD Continues the Cost Uncertainty Problem

- Does not promote cost certainty and accuracy of interconnection cost estimates.
- Shifts the problem of cost uncertainty from developers to customers.
- Allows the utilities to recover cost overruns in rate base (through a Memorandum Account), which could create perverse incentive for utilities to increase costs.

(over)

If the CPUC Prefers the APD, ORA Recommends Modifications

1. **Remove the Memorandum Account requirement from the APD because cost overruns beyond 25% should be considered unreasonable, and also:**
    - **Shorten Term of Pilot Program:** Reduce pilot program from 5 to 3 years to enable a more efficient and cost-effective reevaluation of the program.

2. **If the CPUC Prefers a Memorandum Account, it should require certain ratepayer protections:**
    - **Application Process:** Require utilities to submit an application to recover costs in the memorandum account in order to ensure a process for reasonableness review.
    - **Technical Report for Each Project Cost Overrun Incident:** Require the utilities to provide comprehensive and detailed justifications for costs, which would serve as the criteria basis for Memorandum Account reasonableness review as well as to evaluate the pilot's effectiveness in providing cost certainty.
    - **Shorten Term of Pilot Program:** Reduce pilot program from 5 to 3 years to enable a more efficient and cost-effective reevaluation of the program.